

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Tecumseh District Library</u>	County <u>Lenawee County</u>
Audit Date <u>June 30, 2005</u>	Opinion Date <u>August 4, 2005</u>	Date Accountant Report Submitted To State: <u>October 31, 2005</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address <u>27400 Northwestern Hwy P.O. Box 307</u>		City <u>Southfield, MI</u>	State <u>MI</u>
ZIP <u>48034</u>			
Accountant Signature  			

# **Tecumseh District Library**

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**Financial Report  
with Supplemental Information  
June 30, 2005**

# **Tecumseh District Library**

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## Independent Auditor's Report

To the Board of Directors  
Tecumseh District Library  
Tecumseh, Michigan 49286

We have audited the accompanying basic financial statements of Tecumseh District Library as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of Tecumseh District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position and changes in financial position of Tecumseh District Library as of and for the year ended June 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

The required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The required supplemental information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

August 4, 2005

# Tecumseh District Library

## Management's Discussion and Analysis

The management's discussion and analysis of Tecumseh District Library's (the "Library") financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the Library's financial statements.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide financial statements by providing information about the Library's most significant funds.

### Statement of Net Assets/Statement of Activities

The following table shows, in a condensed format, the Library's net assets in comparison to the previous year:

	June 30		Increase (Decrease) from Prior Year
	2004	2005	
<b>Assets</b>			
Current assets	\$ 1,414,024	\$ 1,674,911	\$ 260,887
Capital assets	2,191,108	2,266,696	75,588
Total assets	3,605,132	3,941,607	336,475
<b>Liabilities - Current liabilities</b>	11,226	11,663	437
<b>Net Assets</b>			
Investment in capital assets	2,191,108	2,266,696	75,588
Restricted for permanent endowment	-	100,294	100,294
Unrestricted	1,402,798	1,562,954	160,156
Total net assets	<u>\$ 3,593,906</u>	<u>\$ 3,929,944</u>	<u>\$ 336,038</u>

The net assets of the Library increased by \$336,038 in the current year and were \$3,929,944 at year end.

# Tecumseh District Library

## Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets:

TABLE 2	Year Ended June 30		Increase (Decrease) from Prior Year
	2004	2005	
<b>Revenue</b>			
Property taxes	\$ 588,839	\$ 631,060	\$ 42,221
Penal fines	227,571	99,410	(128,161)
Other	213,831	133,291	(80,540)
Total revenue	1,030,241	863,761	(166,480)
<b>Expenses</b>	325,319	527,723	202,404
<b>Changes in Net Assets</b>	<b>\$ 704,922</b>	<b>\$ 336,038</b>	<b>\$ (368,884)</b>

The Library's revenues decreased by \$166,480 in the current year. The decrease was a result of penal fines and investment income decreasing in the current year. Penal fines decreased from the prior year due to an accounting change implemented in 2004 that resulted in two years of revenue being recognized in the prior year's financial statements. Investment income decreased due to general economic conditions and interest rates.

The Library's expenses increased by \$202,404 in the current year. The increase was due to the Library operating much of last year with reduced staff and hours of operation. In the current year, the Library was open full-time, which resulted in the increase in expenses.

### The Library's Fund

The Library's only fund is the General Fund. Included in the assets of the General Fund are an endowment checking account and an endowment investment account. These accounts represent funds donated to the Library, which the Library board has committed to using within certain self-imposed guidelines. Also included in the assets of the General Fund is the Herrick book permanent endowment investment account. This account was established in October 2004 with funds donated to the Library by the Herrick Foundation in memory of Kenneth G. Herrick. The principal donation of \$100,000 is permanently restricted and the investment earnings from the permanent endowment are to be spent on books for the Library.

# **Tecumseh District Library**

## **Management's Discussion and Analysis (Continued)**

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### **Budgetary Highlights**

On February 1, 2005, the Library amended the budget to adjust for various events that occurred during the year. The main item adjusted in the amended budget was the expense line item building improvements. The adjustment was necessary because the heating and cooling system in the Library building had to be replaced.

This was the Library's second year operating as a separate entity and first full year of operations. Due to the uncertainty of various expenditures at the time the budget was prepared, the Library had approximately \$50,000 in budget overruns in the current year. A majority of the overruns was due to unbudgeted capital items that were purchased in the current year.

### **Capital Asset and Debt Administration**

At June 30, 2005, the Library had approximately \$2.3 million (net of depreciation) invested in capital assets. During the current year, the Library purchased the following significant capital asset items: heating and cooling system and a sign for the library building, computers, furniture and equipment, and additional library materials (books, software, and audio-visual materials).

The Library has no long-term debt.

### **Economic Factors and Next Year's Budget**

Revenue is expected to remain relatively consistent with prior year amounts. Salary expense is expected to increase because the Library anticipates hiring an additional teen librarian. In addition, the Library expects to continue to invest in the capital assets of the Library and expects to complete the following capital improvements next year: upgrade the fire/sprinkler system, upgrade the indoor lighting, invest in various technology improvements, and have the land outside the Library landscaped.

### **Contacting the Library's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library director's office.

# Tecumseh District Library

## Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2005

	General Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
<b>Assets</b>			
Cash on hand:			
Petty cash (Note 3)	\$ 100	\$ -	\$ 100
Register (Note 3)	85	-	85
Checking:			
General (Note 3)	71,954	-	71,954
Endowment (Note 3)	36,217	-	36,217
Investments:			
General Fund (Note 3)	681,265	-	681,265
Endowment income (Note 3)	71,196	-	71,196
Endowment (Note 3)	601,038	-	601,038
Herrick Book Permanent Endowment	100,294	-	100,294
Accounts receivable	106,949	-	106,949
Prepaid expense	5,813	-	5,813
Capital assets:			
Depreciable (Note 4)	-	1,918,696	1,918,696
Nondepreciable (Note 4)	-	348,000	348,000
Total assets	<u><b>\$ 1,674,911</b></u>	2,266,696	3,941,607
<b>Liabilities</b>			
Accounts payable	\$ 3,858	-	3,858
Accrued liabilities	7,805	-	7,805
Total liabilities	11,663	-	11,663
<b>Fund Balance</b>			
Reserved for Permanent Endowment (Note 6)	100,294	(100,294)	-
Unreserved:			
Designated for endowment (Note 6)	637,255	(637,255)	-
Designated for property tax budget year (Note 6)	310,000	(310,000)	-
Undesignated	615,699	(615,699)	-
Total fund balance	<u>1,663,248</u>	<u>(1,663,248)</u>	<u>-</u>
Total liabilities and fund balance	<u><b>\$ 1,674,911</b></u>		
<b>Net Assets</b>			
Invested in capital assets		2,266,696	2,266,696
Restricted for permanent endowment		100,294	100,294
Unrestricted		<u>1,562,954</u>	<u>1,562,954</u>
Total net assets		<u><b>\$ 3,929,944</b></u>	<u><b>\$ 3,929,944</b></u>

# Tecumseh District Library

## Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2005

	General Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
<b>Revenue</b>			
Property tax	\$ 631,060	\$ -	\$ 631,060
Penal fines	99,410	-	99,410
State aid	15,096	-	15,096
Photocopy fees	1,992	-	1,992
Fines and fees	11,696	-	11,696
General investment income	6,679	-	6,679
Gifts	121,201	-	121,201
Endowment investment income	29,196	-	29,196
Realized and unrealized losses on investments	(52,569)	-	(52,569)
Total revenue	863,761	-	863,761
<b>Expenditures/Expenses</b>			
Salaries	242,164	-	242,164
Employee insurance	64,811	-	64,811
Staff development	6,468	-	6,468
Collections	65,182	(47,658)	17,524
Office	9,028	-	9,028
Programs and events	2,401	-	2,401
Professional services	20,594	-	20,594
Insurance	19,126	-	19,126
Communications	3,857	-	3,857
Utilities and services	17,937	-	17,937
Cleaning and maintenance	13,746	-	13,746
Capital outlay	137,997	(137,997)	-
Depreciation	-	110,067	110,067
Total expenditures	603,311	(75,588)	527,723
<b>Excess of Revenue Over Expenditures/Change in Net Assets</b>	260,450	75,588	336,038
<b>Fund Balance/Net Assets - Beginning of year</b>	1,402,798	2,191,108	3,593,906
<b>Fund Balance/Net Assets - End of year</b>	<u>\$ 1,663,248</u>	<u>\$ 2,266,696</u>	<u>\$ 3,929,944</u>

# **Tecumseh District Library**

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## **Notes to Financial Statements June 30, 2005**

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of Tecumseh District Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

#### **Reporting Entity**

The Library was created on December 20, 2002 through a District Library Agreement entered into by the Tecumseh Public School District (the "School District") and the City of Tecumseh (the "City"); however, until June 30, 2003, the School District was responsible for all expenses of the Library and the Library continued to be reported as a fund of the School District.

On July 1, 2003, the Library became a totally independent district library. The Library services a portion of the residents of the Townships of Adrian, Franklin, Macon, Raisin, Ridgeway, and Tecumseh, as well as the City of Tecumseh. The Library is governed by a seven-member board elected from the Library District. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in the Library's financial report.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Library's basic financial statements include both the Library's full accrual financial statements and modified accrual financial statements.

#### **Full Accrual Financial Statements**

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net assets includes and recognizes all long-term assets. The Library's net assets are reported in three parts - invested in capital assets, restricted net assets, and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

# **Tecumseh District Library**

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## **Notes to Financial Statements June 30, 2005**

### **Note I - Summary of Significant Accounting Policies (Continued)**

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the full accrual financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

#### **Modified Accrual Financial Statements**

The Library's modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

#### **Governmental Fund**

**General Fund** - The General Fund was established to account for the operations of the Library. The General Fund is funded principally by property taxes and penal fines.

#### **Financial Statement Amounts**

**Cash and Cash Equivalents** - The Library has defined cash and cash equivalents to include cash on hand and all highly liquid investments purchased with an original maturity of three months or less when acquired.

# Tecumseh District Library

## Notes to Financial Statements June 30, 2005

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets are generally defined by the Library as assets with an initial cost of more than \$100 and an estimated useful life in excess of one year. Library materials individually are typically less than \$100, but account for a significant amount of assets collectively. These materials are capitalized as a group in the year of purchase. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The building, library materials, and furniture, fixtures, and equipment are depreciated using the straight-line method over the following useful lives:

Building and improvements	30-15 years
Library materials	5-3 years
Furniture, fixtures, and equipment	10-5 years

**Fund Equity** - The General Fund modified accrual basis financial statements report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Property Taxes** - All trade and property tax receivables are shown as net of an allowance for uncollectible amounts, if deemed necessary. Property taxes are levied on each December 1 on the taxable valuation of the property as of the preceding December 31. Taxes are considered delinquent on February 28, at which time penalties and interest are assessed.

The 2004 taxable valuation of the communities included in the Library District totaled approximately \$537,745,000, on which ad valorem taxes levied consisted of 1.1472 mills for the Library's operating purposes. The ad valorem taxes levied based on this were approximately \$620,000. This amount, net of adjustments for board of review adjustments, Michigan Tax Tribunal adjustments, and personal property taxes returned delinquent, is recognized in the General Fund as tax revenue.

# Tecumseh District Library

## Notes to Financial Statements June 30, 2005

### Note 1 - Summary of Significant Accounting Policies (Continued)

Since the Library's fiscal year covers the period from July 1 through the following June 30, as of the end of the fiscal year, the Library board has designated one-half of the December 1 levy to be used to finance the operations of the first half of the ensuing fiscal year. Accordingly, \$310,000 of property taxes related to the December 1 levy is reported as "designated for property tax budget year."

### Note 2 - Reconciliation of the Library as a Whole and the General Fund Financial Statements

Total fund balance and the net change in fund balance of the Library's General Fund differ from the net assets and change in net assets of the Library's activities reported in the governmental fund balance sheet/statement of net assets and the statement of governmental revenue, expenditures, and changes in fund balance/statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the governmental fund balance sheet and statement of governmental revenue, expenditures, and changes in fund balance.

The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

<b>Fund Balance - General Fund - Modified Accrual Basis</b>	<b>\$ 1,663,248</b>
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Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	<u>2,266,696</u>
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<b>Net Assets - Full Accrual Basis</b>	<b><u>\$ 3,929,944</u></b>
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<b>Modified Accrual Basis</b>	<b>\$ 260,450</b>
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Amounts reported in the statement of activities are different because:	
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Depreciation is recorded as an expense in the statement of net assets	(110,067)
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Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance:	
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Capital outlay	137,997
Library materials	<u>47,658</u>

<b>Change in Net Assets - Full Accrual Basis</b>	<b><u>\$ 336,038</u></b>
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# **Tecumseh District Library**

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## **Notes to Financial Statements June 30, 2005**

### **Note 3 - Cash and Cash Equivalents**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments allowable under Public Act 20 of 1943 discussed above. The Library's deposits and investment policies are in accordance with statutory authority.

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$445,007 of bank deposits (checking and money market accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Tecumseh District Library

## Notes to Financial Statements June 30, 2005

### Note 3 - Cash and Cash Equivalents (Continued)

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investments	Fair Value	Weighted Average Maturity
Mutual funds	\$ 232,232	1.51 years
U.S. government or agency bonds or notes	605,163	5.62 years

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investments	Fair Value	Rating	Rating Organization
Mutual funds	\$ 232,232	AAA	Standard & Poors

### Note 4 - Capital Assets

Capital asset activity of the Library was as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Capital assets not being depreciated - Land	\$ 348,000	\$ -	\$ -	\$ 348,000
Capital assets being depreciated:				
Building and improvements	1,740,000	102,561	-	1,842,561
Library materials	103,632	47,658	-	151,290
Furniture, fixtures, and equipment	97,753	35,436	-	133,189
Subtotal	1,941,385	185,655	-	2,127,040
Less accumulated depreciation	(98,277)	(110,067)	-	(208,344)
Net capital assets being depreciated	1,843,108	75,588	-	1,918,696
Net capital assets	\$ 2,191,108	\$ 75,588	\$ -	\$ 2,266,696

# **Tecumseh District Library**

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## **Notes to Financial Statements June 30, 2005**

### **Note 4 - Capital Assets (Continued)**

Capital assets, including library materials, are recorded at cost or estimated historical cost if original records are not available. Depreciation expense was \$110,067 for the year ended June 30, 2005.

### **Note 5 - Risk Management**

The Library is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance to cover these risks. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### **Note 6 - Reserved and Designated Fund Balance**

**Reserved for Permanent Endowment** - This represents the Herrick book permanent endowment that was established in October 2004 with funds donated to the Library by the Herrick Foundation in memory of Kenneth G. Herrick. The principal donation of \$100,000 is permanently restricted and the investment earnings from the permanent endowment are to be spent on books for the Library. The \$100,000 donation has been invested in U.S. government securities and the value will fluctuate with market conditions. The Library will hold the investments until maturity and will receive the \$100,000 when the investments mature. As a result of market fluctuation, the amount reserved may be greater or less than \$100,000.

**Designated for Property Tax Budget Year** - Since the Library's fiscal year covers the period from July 1 through the following June 30, as of the end of the fiscal year, the Library board has designated one-half of the December 1 levy to be used to finance the operations of the first half of the ensuing fiscal year.

**Designated for Endowment** - Represents funds donated to the Library, which the Library board has committed to using within certain self-imposed guidelines.

# **Tecumseh District Library**

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## **Notes to Financial Statements June 30, 2005**

### **Note 7 - Retirement Plans**

**Plan Description** - Certain employees of the Library who were originally employed by the School District are eligible to participate in the Michigan Public Schools Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at, P.O. Box 30171, Lansing, MI 48909-7671.

**Funding Policy** - Employer contributions to the system are the result of implementation of the Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits.

The pension rate totaled 12.99 percent for the period from July 1, 2004 through September 31, 2004 and 14.87 percent from the period from October 1, 2004 through June 30, 2005 of the covered payroll of the plan. Basic plan members are required to contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The Library's contributions totaled approximately \$12,000 for the year ended June 30, 2005, which equaled the required contribution in accordance with the requirements above.

The Library sponsors a defined contribution plan covering all full-time employees hired after July 1, 2004 and not covered under the MPERS plan. The plan, commonly known as a 403(b) plan, allows for contributions from both the employer and the employee. The Library is required to contribute 5 percent of the covered payroll of the plan. Basic plan members are not required to make contributions. The Library's contributions totaled approximately \$5,000 for the year ended June 30, 2005, which equaled the required contribution in accordance with the requirements above.

## **Required Supplemental Information**

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# Tecumseh District Library

## Note to Required Supplemental Information June 30, 2005

### Note - Budgetary information

The annual budget is prepared by the director and the Library board, and adopted by the Library board; subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget statement (statement of revenue, expenditures, and changes in fund balance - budget and actual) is presented on the same basis of accounting and level of detail as the adopted budget. State law requires expenditures to stay within appropriated amounts. The Library had the following expenditure budget overruns for the year ended June 30, 2005:

General Fund	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Director	\$ 52,000	\$ 54,000	\$ (2,000)
Youth services coordinator	36,644	38,217	(1,573)
Tech. services coordinator	28,642	29,794	(1,152)
Administrative assistant	9,880	10,306	(426)
Workers' compensation	1,726	2,791	(1,065)
Professional memberships	2,500	2,611	(111)
Periodicals	12,000	12,622	(622)
Audio/Visual	6,000	6,826	(826)
Office supplies	3,500	3,657	(157)
Liability insurance	4,408	6,732	(2,324)
Property insurance	5,389	8,570	(3,181)
Auto insurance	2,175	3,824	(1,649)
Trash collection	660	715	(55)
Snow removal	550	845	(295)
Cleaning supplies	600	610	(10)
Land improvements	1,540	11,428	(9,888)
Building	83,890	91,133	(7,243)
Equipment	18,300	35,436	(17,136)

These unfavorable variances were caused by unanticipated expenditures that became necessary during the year.

# **Tecumseh District Library**

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## **Note to Required Supplemental Information June 30, 2005**

### **Note - Budgetary information (Continued)**

The budget statement (budgetary comparison statement - General Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The General Fund budget has been adopted by line item detail; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget is included in the required supplemental information.

# Tecumseh District Library

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
<b>Revenues</b>				
Property tax	\$ 591,816	\$ 591,816	\$ 631,060	\$ 39,244
Penal fines	85,000	115,014	99,410	(15,604)
State aid	4,000	4,000	15,096	11,096
Photocopy/Fax fees	1,300	1,300	1,992	692
Fines and fees	7,100	7,100	11,696	4,596
General investment income	450	450	6,679	6,229
Gifts	-	-	121,201	121,201
Endowment investment income	-	-	29,196	29,196
Realized and unrealized losses on investments	-	-	(52,569)	(52,569)
Total revenues	689,666	719,680	863,761	144,081
<b>Expenditures</b>				
Staff expenditures:				
Salary:				
Director	52,000	52,000	54,000	(2,000)
Adult services librarian	35,000	35,000	29,615	5,385
Youth services coordinator	36,644	36,644	38,217	(1,573)
Tech. services coordinator	26,642	28,642	29,794	(1,152)
Building engineer	21,380	21,380	20,186	1,194
Library assistant	74,192	74,192	56,285	17,907
Administrative assistant	9,880	9,880	10,306	(426)
Page	3,300	4,410	3,761	649
Total salaries	259,038	262,148	242,164	19,984
Employee insurance:				
Life	851	851	668	183
Health	30,550	28,550	18,524	10,026
Dental	2,244	2,244	1,344	900
Vision	510	510	265	245
Disability	4,252	4,252	3,266	986
Workers' compensation	851	1,726	2,791	(1,065)
Payroll taxes	26,810	27,132	21,219	5,913
Retirement	11,362	17,000	16,734	266
Total insurance	77,430	82,265	64,811	17,454

# Tecumseh District Library

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
<b>Expenditures (Continued)</b>				
Staff expenditures (Continued):				
Staff development:				
Professional memberships	\$ 2,500	\$ 2,500	\$ 2,611	\$ (111)
Travel	3,000	3,000	2,765	235
Training	6,000	6,000	891	5,109
Recruitment	1,000	1,000	201	799
Total staff development	12,500	12,500	6,468	6,032
Total staff expenditures	348,968	356,913	313,443	43,470
Operating expenditures:				
Collections:				
Books	50,000	75,000	33,785	41,215
Periodicals	12,000	12,000	12,622	(622)
Audio-Visual	3,600	6,000	6,826	(826)
Software - Public use	4,925	4,925	1,649	3,276
Software - Staff use	3,255	10,755	5,398	5,357
Leased materials	7,000	3,000	2,476	524
Replacement materials	200	200	45	155
Binding	300	300	-	300
Processing materials	10,000	2,500	2,381	119
Total collections	91,280	114,680	65,182	49,498
Office:				
Office supplies	2,500	3,500	3,657	(157)
Postage	1,200	1,700	1,690	10
Printing and publishing	500	500	74	426
Portfolio management fees	-	3,500	3,375	125
Public relations	-	1,000	232	768
Total office	4,200	10,200	9,028	1,172
Programs and events:				
Program supplies	3,800	3,800	646	3,154
Event supplies	1,000	1,000	208	792
Advertising	600	3,000	1,547	1,453
Total programs and events	5,400	7,800	2,401	5,399
Professional services:				
Legal	1,500	1,500	1,066	434
Bookkeeping	6,180	10,300	8,919	1,381
Audit	4,950	4,950	4,950	-
Co-op fees	4,000	4,000	3,766	234
Election expense	3,200	3,200	1,893	1,307
Total professional services	19,830	23,950	20,594	3,356

# Tecumseh District Library

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
<b>Expenditures (Continued)</b>				
Operating expenditures (Continued):				
Insurance:				
Liability insurance	\$ 4,408	\$ 4,408	\$ 6,732	\$ (2,324)
Property insurance	5,389	5,389	8,570	(3,181)
Auto insurance	1,600	2,175	3,824	(1,649)
Special event insurance	500	500	-	500
Total insurance	11,897	12,472	19,126	(6,654)
Communications:				
Telephone	3,000	3,500	3,417	83
Internet	1,364	1,364	440	924
Total communications	4,364	4,864	3,857	1,007
Utilities and services:				
Electric	14,000	14,000	11,234	2,766
Gas	9,383	9,383	4,660	4,723
Water and sewer	600	600	483	117
Trash collection	660	660	715	(55)
Snow removal	550	550	845	(295)
Total utilities and services	25,193	25,193	17,937	7,256
Cleaning and maintenance:				
Cleaning supplies	165	600	610	(10)
Maintenance supplies	2,000	2,000	1,174	826
Building maintenance	15,000	15,000	2,585	12,415
Grounds maintenance	1,000	1,000	362	638
Equipment maintenance	16,000	16,000	8,563	7,437
Vehicle	1,200	1,200	452	748
Total cleaning and maintenance	35,365	35,800	13,746	22,054
Total operating expenditures	197,529	234,959	151,871	83,088
Capital outlay:				
Land improvements	-	1,540	11,428	(9,888)
Building	-	83,890	91,133	(7,243)
Equipment	-	18,300	35,436	(17,136)
Undistributed	61,370	20,407	-	20,407
Total capital outlay	61,370	124,137	137,997	(13,860)
Total expenditures	607,867	716,009	603,311	112,698
<b>Excess of Revenue Over Expenditures</b>	81,799	3,671	260,450	<b>\$ 256,779</b>
<b>Fund Balance - Beginning of year</b>	1,402,798	1,402,798	1,402,798	
<b>Fund Balance - End of year</b>	<b>\$ 1,484,597</b>	<b>\$ 1,406,469</b>	<b>\$ 1,663,248</b>	